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BEFORE THE ARIZONA CORPORATION COMMISSION

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2009 SEP 30 P 3:44

IN THE MATTER OF THE APPLICATION)
 OF UNS ELECTRIC, INC. FOR)
 APPROVAL OF ITS RESIDENTIAL HVAC)
 RETROFIT DEMAND-SIDE)
 MANAGEMENT PROGRAM)

DOCKET NO. E-04204A-07-0365

NOTICE OF FILING DATA IN
 COMPLIANCE WITH DECISION
 NO. 70377

UNS Electric ("UNS Electric" or the "Company"), through undersigned counsel, hereby files its data demonstrating the cost effectiveness of the 16 SEER and above units in compliance with Decision No. 70377 (June 13, 2008).

I. INTRODUCTION.

Decision No. 70377, approved UNS Electric's Residential HVAC Retrofit Program as part of the Company's Demand-Side Management ("DSM") Portfolio for 2008 through 2012 ("DSM Portfolio"). Decision No. 70377 stated:

IT IS FURTHER ORDERED that by September 30, 2009 UNS Electric, Inc. shall submit data to Docket Control demonstrating the cost-effectiveness of the 16 SEER and above units and Staff shall review and report on this data by November 15, 2009.

The data for the new 16 SEER and above cost-effectiveness calculation is in electronic format and is being filed directly with Arizona Corporation Commission ("Commission") Staff.

1 **II. HISTORY.**

2 In the original program filing UNS Electric requested higher incentive offerings for 16
3 SEER and above HVAC equipment than the incentives offered for 14 or 15 SEER air
4 conditioners ("AC") and heat pumps. Commission Staff's analysis at that time indicated a cost-
5 benefit ratio of 1.1 for 14 or 15 SEER equipment, but due to comparatively high incremental
6 costs, Commission Staff concluded that the AC and heat pump measures were not cost-effective
7 for 16 SEER and above units. Therefore, Commission Staff recommended that incentives be
8 provided only for 14 and 15 SEER ACs and heat pumps.

9 During the open meeting, the Commission debated whether offering incentives for lower-
10 efficiency equipment and not for higher efficiency equipment would send the wrong message to
11 customers. As a result, the Decision ordered that incentives be capped at a maximum of \$250 for
12 14 SEER and above measures and requested updated cost-effectiveness information for 16 SEER
13 and above equipment.

14
15 **III. NEW 16 SEER COST EFFECTIVENESS STUDY.**

16 The cost data for the UNS Electric study was provided by four (4) Tucson area
17 contractors. UNS Electric believes that pricing in Mohave County and Santa Cruz County will
18 not significantly vary from information gathered from dealers in Tucson. Therefore, to eliminate
19 the cost associated with a separate incremental cost study, UNS Electric elected to utilize the
20 same cost information as that collected for Tucson Electric Power Company ("TEP"). Two (2)
21 of the four (4) contractors were participants in the TEP residential AC rebate program, while two
22 (2) were non-participating contractors. Contractors were asked to provide information on the
23 most common types of units being sold, including manufacturers, sizes, and SEER ratings.

24 When contractors responded, they stated the following:

- 25 • In most cases they sell Tier 3 manufacturers such as Day & Night and Goodman.
- 26 • The industry is in the process of phasing out R-22 refrigerant to be replaced with
- 27 R-410A units.

1 All of the pricing information provided was for R-410a, but it was stated that on average
2 to upgrade from an R-22 system to R-410a is roughly an additional \$100. All pricing reflects
3 single-phase units. The cost information was reported as ranges that include both heat pumps
4 and gas/electric split AC systems. All of the cost estimates from the contractors were reported in
5 ranges by SEER and tonnage and labor was included in the estimates. Further, variables that
6 may affect pricing, and for which data was not collected include: the number of compressors;
7 and accessories and add-ons.

8 The new cost data for 16 SEER, 18 SEER and 20 SEER ACs show that incremental costs
9 are even higher than costs used in UNS Electric's original program filing. Using the updated
10 cost and efficiency data in addition to the updated 2009 avoided cost information; UNS Electric
11 calculated the cost-effectiveness of the 16 to 20 SEER equipment. The significant increase in
12 incremental costs of the high efficiency equipment is detrimental to the cost-effectiveness
13 calculation. As shown data filed electronically with Commission Staff, the 16 SEER equipment
14 barely meets the TRC (1.02 TRC), but the 18 and 20 SEER equipment do not.

15 However, in the near future, UNS Electric will file an application for an expanded
16 Residential Efficiency Program that will evaluate the benefits of duct sealing, early retirement of
17 HVAC equipment, quality installation, as well as air-sealing and insulation. If approved, it will
18 supersede program requirements in the current Residential HVAC Retrofit Program.

19
20 **IV. CONCLUSION.**

21 In compliance with Decision No. 70377, UNS Electric hereby files its data demonstrating
22 the cost effectiveness of the 16 SEER and above units.

1 RESPECTFULLY SUBMITTED this 30th day of September 2009.

2
3 UNS Electric, Inc.

4 By 

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7 Attorney for UNS Electric, Inc.

8 Original and 13 copies of the foregoing
9 filed this 30th day of September 2009 with:

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14 Copy of the foregoing hand-delivered/mailed
15 this 30th day of September 2009 to:

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